ATTN: International Tax Reform Working Group

Dear Representatives Nunes and Blumenaur,

The Residence Based Taxation Proposal (RBT) of ACA (American Citizens Abroad) should be reviewed and proposed by the House Ways and Means Committee. It would resolve many of the taxation issues that Americans residing abroad have.

I would like to highlight four negative consequences of Citizenship Based Taxation for Americans living and working abroad:

1. **US international tax policy lumps law abiding middle class Americans resident abroad together with criminals** – Current US tax policy does not adequately consider the circumstances of Americans abroad. A fairer approach to Americans abroad is needed. For example, I have been fully tax compliant in the country in which I reside, where my tax rate is 54.58%. Even though I had received forms from the US Embassy and help from a local tax advisor with my US forms, I learned that I had a possibly omitted an information form with no tax consequences. I followed the instructions of the IRS on how to correct the potential error and was subjected to procedures and penalties that had been developed for US resident tax evaders intentionally hiding money overseas. I was given no other options as I have international accounts. I was threatened with penalties that would bankrupt me when there was almost zero tax loss to the US. The situation was so unjust that Taxpayer Advocate became involved in my case in order to set it on the right track. RBT, by definition, prevents Americans abroad from being considered in the same category as US residents hiding money overseas and simplifies international tax administration.

2. **What happens when I am old and feeble?** I expect to be living abroad when I am older. My US income tax return is usually around 70 pages in length. My tax return in my country of residence for the same income is 3 pages long. I do not have enough money to have a US tax professional on retainer to manage my financial affairs. I have been trying to explain to my non-English speaking relatives what they will have to do to file a US return for me should I become incapacitated. The complexity of US tax returns versus their returns is incomprehensible to them. I live in fear that, should I become incapacitated, considering their lack of connection to the US, any failure my relatives might make in tax reporting to the US on my behalf would jeopardize their financial livelihood, or my future care. Adopting residence based taxation would alleviate this anxiety.

3. **The lack of recognition of foreign pension systems discourages US citizens from working in other countries as it can create lifelong tax obligations even when no benefit is received** – The company I work for in my country of residence sends its employees to "third" countries to work. Due to this, I worked in Mexico for a short period and a mandatory Mexican social security account was opened there in my name by my employer as must be done under Mexican law. My country of residence recognizes this account as a government social security account, however, the US does not. I have been subject to paying US taxes on the earnings in this Mexican social security account since I left Mexico almost a decade ago although I will never meet the Mexican social security requirements to receive a payout from this account. The account costs me dearly in US accounting fees as several forms must be filed in order to report it to the IRS correctly. I am now afraid to work in other countries as an obligation like this might arise again. This is hurting my job opportunities within the company that employs me.

4. **Saving for retirement has become impossible for Americans abroad** – The foreign equivalents of American IRAs are not recognized by the IRS so it makes no sense to open one in my country of residence. Saving in a US-based IRA makes little sense as the money has already been taxed in my country of residence.

Conclusion
Residence Based Taxation will resolve all these issues. I urge you to seriously consider the ACA Residence Based Taxation proposal.

Yours truly,

Debra Ansen
Stockholm, Sweden